

SUMMARY ANALYSIS OF AMENDED BILL

Author: Nava, et al. Analyst: Angela Raygoza Bill Number: AB 62
 Related Bills: See Prior Analysis Telephone: 845-7814 Amended Date: May 15, 2007
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Disaster Loss Deduction/Excess Loss Carryover/2006 Calendar Year Ventura County Wildfire

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

☒ February 22, 2007, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would allow taxpayers special tax treatment, called disaster loss treatment, for losses sustained as a result of the 2006 Ventura County wildfire.

SUMMARY OF AMENDMENTS

The May 15, 2007, amendments removed Riverside County from the list of counties eligible for disaster loss treatment and made other technical changes. As a result of the amendments, the "This Bill" and "Revenue Impact" discussion as provided in the department's analysis of the bill as amended February 22, 2007, have been revised. The remainder of that analysis still applies.

POSITION

Pending.

THIS BILL

This bill would add the wildfire that occurred in Ventura County during the 2006 calendar year to the current list of specified disasters under the Personal Income Tax (PIT) Law and the Corporation Tax Law.

Board Position:

_____ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA ☒ PENDING

Legislative Director

Date

Brian Putler

6/29/07

This bill would allow special disaster treatment of losses sustained as a result of the wildfire. Specifically, this bill would allow a taxpayer to elect to claim the loss either in the year the loss occurred or in the year preceding the loss. If a taxpayer elects to take the loss in the preceding year, this bill would allow the taxpayer to file an amended return immediately for the prior year.

Revenue Estimate

Based on data and assumptions discussed below, the revenue impact from this bill would be as follows:

Revenue Analysis for AB 62 – as amended 5/15/07 Effective and Operative for tax year BOA 1/1/05				
Fiscal Year	2005-06	2006-07	2007-08	Net Loss
Disaster Relief	Loss < \$150,000	Gain < \$150,000	Gain < \$150,000	< \$150,000

This estimate does not consider any possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The revenue impact of this bill would be determined by the amount of targeted casualty losses deducted as disaster losses in the 2005 taxable year, the year preceding the wildfire. Because of the special treatment afforded to disaster losses, this bill would result in the acceleration of tax refunds for fiscal year 2005-06. The three-year budget window shown above offsets the acceleration of the revenue loss from the initial year with revenue gains in the latter years. The insignificant revenue gains in the later years are merely a matter of a timing event. Taxpayers that chose to file an amended return to report the casualty loss immediately will have a higher tax liability in the latter income years.

Information from the California Department of Fire shows an estimated \$1.6 million of real property losses for Ventura County. Assuming 20% of such damages would NOT be reimbursed by insurance, but would exceed the 10% of Adjusted Gross Income threshold, an estimated \$330,000 of potential tax deductions would be subject to special treatment as disaster losses (\$1.6 million x 20% = \$330,000). If only half of such casualty losses were reported on 2006 tax year returns AND all excess amounts were deducted as disaster losses on an amended 2005 tax return, roughly \$10,000 in accelerated tax refunds would result (\$330,000 deductions x 50% deductions applied to 2005 tax year x 6% tax rate = \$10,000 revenue loss).

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